

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 LAB-04 SIL-01 SAM-01

AGR-10 PA-02 PRS-01 USIA-15 /102 W

----- 074526

R 171754Z DEC 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 182

INFO ALL EC CAPITALS 1456

UNCLAS EC BRUSSELS 11316

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC, ETRD

SUBJECT: PROPOSED EC PRICES AND OTHER MEASURES FOR 1976/77 (II):
GRAINS

REFS (A) EC BRUSSELS 10461, (B) EC BRUSSELS 06661 (C) EC BRUSSELS 113
15

1. SUMMARY: THE COMMISSION HAS PROPOSED INCREASES IN EC
GRAIN PRICES RANGING FROM 5.5 TO 9.5 PERCENT AND A DECREASE
IN THE INTERVENTION PRICE FOR FEED GRADE WHEAT. THESE CHANGES
WOULD BRING PRICES OF EC FEEDGRAINS (INCLUDING FEED WHEAT)
CLOSER TOGETHER AND ADVERSELY AFFECT THE COMPETITIVENESS
OF CORN ON THE EC MARKET. THE COMMISSION ALSO PROPOSES THE
ESTABLISHMENT OF A REFERENCE PRICE FOR BREAD QUALITY SOFT
WHEAT (7 PERCENT HIGHER THAN THE EXISTING INTERVENTION PRICE FOR
SOFT WHEAT). BY MEANS OF INCREASED PRICES AND THEREFORE
HIGHER IMPORT LEVIES, AND OPTIONAL INTERVENTION MEASURES,
THEY WOULD SEEK TO KEEP EC MILLING WHEAT PRICES ABOVE THE LEVEL
OF THIS REFERENCE PRICE. CHANGES IN THE CAP
FOR DURUM WHEAT -- AIMED AT REDUCING THE PRODUCTION OF POOR
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QUALITY DURUM -- ARE ALSO PROPOSED. DETAILS OF THE PROPOSED

1976/77 PRICES FOR ALL PRODUCTS WERE REPORTED BY SEPTTEL END SUMMARY.

2. THE COMMISSION'S GRAIN PRICE PROPOSALS ARE BASED LARGELY ON THE FEATURES OF THE WORKING PAPER (REPORTED REF A) THAT LAID OUT NEW GRAIN PRICE RELATIONSHIPS. THE COMMISSION SEES ITS PRICE PACKAGE AS A TRANSITIONAL STEP TO FULL ALIGNMENT OF THE FEED GRADE SOFT WHEAT, BARLEY AND CORN PRICES. THUS, THE GRAIN PRICE PROPOSALS AIM TO SATISFY THE RECOMMENDATION OF THE JULY 21-22 AGRICULTURAL MINISTERS' COUNCIL (REF. B), THAT SUPPORT PRICES FOR FEED GRADE WHEAT BE BROUGHT INTO LINE WITH THESE FOR OTHER FEEDGRAINS. THE REVAMPING OF THE GRAIN PRICE SYSTEM SOUGHT BY THE COMMISSION HAS THREE GOALS.

(A) TO DISCOURAGE THE PRODUCTION OF LOW-QUALITY WHEAT AND, CONVERSELY, TO ENCOURAGE PRODUCTION OF MILLING QUALITY WHEATS

(B) TO ENCOURAGE CORN PRODUCTION

(C) TO IMPROVE THE COMPETITIVENESS OF FEED WHAT AND BARLEY VIS-A-VIS CORN.

3. THE BARLEY INTERVENTION PRICE WOULD BE INCREASED BY 5.5 PERCENT, AND THE TARGET PRICE BY 9.0 PERCENT, RESULTING IN A PRICE SPREAD OF 21.42 UA PER METRIC TON. THIS IS 5.4 UA PER METRIC TON WIDER THAN THE PRICE SPREAD IN THE PREVIOUS YEAR. THE ADJUSTMENTS ARE DESIGNED TO PERMIT MARKET PRICES TO ENSURE A SATISFACTORILY HIGH INTERVENTION PRICE IN ALL BARLEY MARKETING CENTERS. THE SPECIAL MALTING BARLEY PREMIUM WOULD BE ELIMINATED.

4. THE CORN TARGET PRICE WOULD BE INCREASED BY 9.5 PERCENT AND WOULD BE EQUAL TO THE PROPOSED BARLEY TARGET PRICE OF 138.46 UA PER METRIC TON. THE INTERVENTION PRICE WOULD BE INCREASED BY THE SAME PERCENTAGE, WHICH WOULD PUT IT ONLY 3.7 UA BELOW THE BARLEY INTERVENTION PRICE. THESE ADJUSTMENTS WOULD RESULT IN A SLIGHTLY WIDER INTERVENTION-TARGET PRICE SPREAD THAN LAST YEAR.

5. THE PROPOSED SOFT WHEAT PRICE ADJUSTMENTS ARE INHERENTLY MORE COMPLICATED BECAUSE THEY INVOLVE A CHANGE IN THE SUPPORT PRICE SYSTEM FOR WHEAT TO REFLECT DEFERENCE IN TREATMENT OF FEED AND BAKING QUALITY WHEAT. THE COMMISSION PROPOSED A SOFT WHEAT TARGET PRICE A REFERENCE PRICE FOR BAKING QUALITY WHEAT, AND A SINGLE INTERVENTION PRICE FOR FEED QUALITY WHEAT. THE UNCLASSIFIED

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QUALITY WHEAT REFERENCE PRICE WOULD BE THE BASIS FOR RESORTING TO PTIONAL MARKET INTERVENTION MEASURES (SEE BELOW). IN ORDER TO CALCULATE THE BAKING QUALITY WHEAT REFERENCE PRICE, THE COMMISSION EXPLAINED IT TOOK INTO ACCOUNT (A) THE EXISTING 15 PERCENT SPREAD BETWEEN GROSS RETURNS PER HECTARE TO PRODUCERS OF BAKING AND FEED QUALITY WHEAT, (B) THE SPREAD BETWEEN THE BASE INTERVENTION AND TARGET PRICES FOR SOFT WHEAT, AND (C) TRANSPORTATION COSTS. THESE CLACULATIONS PUT THE REFERENCE PRICE FOR BAKING QUALITY

WHEAT AT 15 PERCENT ABOVE THE BARLEY INTERVENTION PRICE. THE SOFT WHEAT TARGET PRICE WAS INCREASED BY 9.5 PERCENT OVER THAT OF THE PREVIOUS YEAR. THE RESULTING SPREAD BETWEEN THE QUALITY WHEAT REFERENCE AND TARGET PRICES 17.91 UA PER METRIC TON IS ABOUT 4.5 UA WIDER THAN THE SPREAD BETWEEN THE SOFT WHEAT INTERVENTION AND TARGET PRICES OF THE PREVIOUS YEAR. THIS WIDE R SPREAD, PLUS A QUALITY WHEAT REFERENCE PRICE MARKEDLY HIGHER THAN THE PROPOSED BARLEY INTERVENTION PRICE, IS DELIBERATELY CALCULATED TO ENCOURAGE THE PRODUCTION OF QUALITY WHEAT.

6. GRAIN PRICE REGIONALIZATION THEORETICALLY IS A MEANS OF APPLYING THE BASIC INTERVENTION PRICE (IN DUISBURG, GERMANY, THE MOST DEFICIT GRAIN AREA) TO OTHER INTERVENTION CENTERS BY DEDUCTING TRANSPORTATION AND HANDLING COSTS TO THOSE CENTERS. IN PRACTICE, REGIONALIZATION OF INTERVENTION OR SUPPORT PRICES IN ADDITION TAKES INTO ACCOUNT MANY SPECIAL CONSIDERATIONS OF THE MEMBER STATES. THE COMMISSION EXPLAINS THAT ITS PROPOSAL FOR A SINGLE INTERVENTION PRICE FOR SOFT WHEAT WOULD MAKE REGIONALIZATION OBSOLETE, AND THAT PRICE REGIONALIZATION WOULD HENCEFORTH OCCUR NATURALLY. THE COMMISSION PROPOSED, THEREFORE TO ELIMINATE THE SYSTEM OF REGIONALIZATION OF WHAT PRICES, RETAINING, HOWEVER, A NUMBER OF INTERVENTION CENTERS THROUGHOUT THE COMMUNITY. (REGIONALIZATION NO LONGER EXISTS FOR THE OTHER GRAINS). THE COMMISSION ALSO PROPOSES TO RESERVE TO ITSELF THE INITIATIVE TO RESORT TO SPECIAL INTERVENTION MEASURES FOR ALL GRAINS, PARTICULARLY WHEN THE COMMUNITY MARKET OR THE WORLD MARKET REQUIRE THEM. IN ADDITION, IT WOULD UNDERTAKE ON ITS OWN INITIATIVE, OR UPON REQUEST OF A MEMBER STATE, INTERVENTION PURCHASES OF QUALITY WHEAT "ON THE BASIS OF THE WHEAT REFERENCE PRICE MENTIONED ABOVE". PRESUMABLY, THE QUALITY WHEAT REFERENCE PRICE WOULD FUNCTION IN THE SAME FASHION AS THE PRESENT WHEAT INTERVENTION PRICE FOR "OPTIONAL INTERVENTION" DESCRIBED IN UNCLASSIFIED

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REFTEL A.

7. THE COMMISSION CONSIDERED DURUM WHEAT TO BE ANOTHER SPECIAL CASE BECAUSE AMONG OTHER REASONS, PRODUCTION IN 1975 PARTICULARLY IN FRANCE INCREASED BY 17 PERCENT COMPARED TO THE PREVIOUS YEAR WHEREAS THAT OF ALL OTHER GRAINS DECREASED IN THE SAME PERIOD. AND FOR THE FIRST TIME IN THE HISTORY OF THE GRAINS CAP, THERE IS A DURUM SURPLUS; HOWEVER, THE QUALITY OF MUCH OF THIS CROP IS SO LOW THAT IT CANNOT BE USED IN THE PRODUCTION OF PASTA AND OTHER DURUM-BASED PRODUCTS. SO THE COMMISSION DECIDED TO ACCORD THE SMALLEST INCREASE TO DURUM PRICES, THE TARGET PRICE INCREASING BY 5.5 PERCENT AND THE INTERVENTION PRICE BY 6.0 PERCENT. THE SAME SPREAD AS IN THE PREVIOUS TWO YEARS OF 16.80 UA WOULD BE MAINTAINED. IN ADDITION, THE COMMISSION PROPOSED TO ELIMINATE THE MINIMUM GUARANTEED PRICE FOR DURUM AND, INSTEAD,

TO LIMIT THE PAYMENT OF A SUBSIDY TO DURUM WHEAT THAT MEETS CERTAIN MINIMUM QUALITY STANDARDS ONLY ON A PER HECTARE BASIS IN THE AREAS WHERE IT MAY BE NECESSARY. THE COMMISSION EXPLAINED IT DOES NOT WANT TO FIND ITSELF FORCED TO INTERVENE ON THE DURUM WHEAT MARKET IN THE EVENT OF SURPLUSES, WHICH COULD RESULT FROM UNNECESSARY MARKET SUPPORT MEASURES AND WHICH COULD COST 84 UA PER METRIC TON (THE DIFFERENCE BETWEEN DURUM AND BARLEY INTERVENTION PRICES) IF THERE WERE A NEED TO DENATURE DURUM WHEAT FOR EVENTUAL FEED USE.

8. THE COMMISSION CONCLUDED THAT THE RYE SUPPORT SYSTEM NEEDED SPECIAL CONSIDERATION BECAUSE ALL RYE IS OF MILLING QUALITY (UNLIKE WHEAT) AND ALSO BECAUSE IT WANTS TO CONTINUE TO ENCOURAGE RYE PRODUCTION ON POOR SOILS IN THE COMMUNITY. THEREFORE, THE COMMISSION FELT IT WAS JUSTIFIED A) TO PROPOSED A 7.5 PERCENT INCREASE IN BOTH THE INTERVENTION AND TARGET PRICES FOR RYE, AN INCREASE LARGER THEN THAT PROPOSED FOR BARLEY, AND B) TO ELIMINATE THE SPECIAL INTERVENTION QUALITY PREMIUM FOR RYE,

9. THE MONTHLY INCREASE IN PRICES FOR ALL GRAINS (TO REFLECT STORAGE COSTS) WOULD REMAIN UNCHANGED IN 1976/77 SINCE THEY HAD ALREADY BEEN INCREASED MARKEDLY IN 1975/76. GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, PRICES, AGRICULTURAL PRICE SUPPORTS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU11316
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750439-0323
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751232/aaaabciz.tel
Line Count: 191
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 10461, 75 EC BRUSSELS 6661, 75 EC BRUSSELS 113
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2003 by ReddocGW>; APPROVED <02 FEB 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED EC PRICES AND OTHER MEASURES FOR 1976/77 (II): GRAINS
TAGS: EAGR, ETRD, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006